TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
January 20, 2005

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, January 20, 2005, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Tim Bolding, Bill Bruce, Gerald Reed for Riley Darnell, Winston Henning, Loretta Jercinovich, Ronnie Knight, Eddie Latimer, Ann Butterworth for John Morgan, Alvin Nance, Brad Rainey, Sharon Reynolds, Janice Cunningham for Dale Sims, Carl Tindell, and Jackie West.

The following members were absent: Bob Cooper, Dave Goetz, Gerald Konohia, Tom Mottern, and Ralph Perrey.

Chairman Latimer called the meeting to order and opened the floor for public comment. No public comments were made.

Chairman Latimer called for a motion to approve the December 2, 2004, meeting minutes. Mr. Bolding moved approval and Mr. Bruce seconded. The minutes were approved.

Janice Myrick, Executive Director, offered to answer questions regarding the monthly report. There were no questions.

Ms. Myrick presented service award certificates to John Hubard, Information Technology Division, 15 years of service, and Tanya Davis-Barlar, Internal Audit Division, 20 years of service.

Senior staff and assistant directors then introduced themselves to the Board. Ms. Myrick thanked them for their contribution to the Agency.

Chairman Latimer asked Ms. Butterworth to provide information on Bond Finance Committee agenda items. Regarding the selection of an underwriter pool, Ms. Butterworth reported that the Committee approved a pool of three firms. Those three firms are Merrill Lynch, Morgan Keegan, and UBS Financial Services. The underwriter pool will provide services to the Agency through December 2008.

Regarding THDA's financial advisor, Ms. Butterworth reported that the Bond Finance Committee considered staff's recommendation and is recommending that THDA proceed with a request for proposal for financial advisor services. The contract for THDA's current financial advisor, CSG Advisors Incorporated, expires June 30, 2005. Upon the recommendation of the Committee, Ms. Butterworth moved approval for staff to proceed with the process outlined in the memorandum dated January 18, 2005. Mr. Reed seconded the motion. The motion carried with a unanimous vote.

Mr. Latimer gave the floor to Mr. Rainey, Chairman of the Policy & Programs Committee. Mr. Rainey reported that the housing cost index for 2005 is 24.65%. This means specific Board approval is needed to continue THDA's financial assistance programs and such approval is accomplished by adoption of the Resolution in the Board packet. Upon the recommendation of the Committee, Mr. Rainey moved to adopt the Resolution, which adopts the Housing Cost Index for 2005, and authorizes the continued operation of the Agency's financial assistance programs. Mr. Bruce seconded. The motion carried with a unanimous vote.

Mr. Rainey reported that staff prepared a five year projection of resources available for THDA's single and multi-family programs. At the beginning of this year, the Agency had over $868 million available, and staff projections indicate adequate resources to continue programs.

Mr. Rainey shared highlights of the Policy & Programs Committee discussion of new acquisition cost limits for THDA's mortgage program. Staff recommended setting the limits for counties outside the Nashville MSA equal to the current FHA limit, an increase from $160,176 to $172,632, and setting the limit for the Nashville MSA from $175,000 to $190,000. The FHA limit for Nashville MSA, however, is $226,100. Following lengthy discussion, the Committee recommended that all THDA acquisition cost limits be set consistently with the newly revised FHA limits with the Nashville MSA limit increased from $175,000 to $226,100, and the limit for all other counties increased from $160,176 to $172,632, effective February 1, 2005.

Upon the Committee's recommendation, Mr. Rainey moved approval. Mr. Bruce seconded. Mr. Latimer opened the floor for discussion. Ms. Miller explained that staff's reason for recommending limits equal to the FHA limit is that the majority of the Agency's single-family mortgages are FHA insured. Mr. Reed shared his opinion that the limits do not coincide with the image of moderate income households. He voiced concern that the Agency's mission might come into question by the public, should the limits be set over $200,000. He added that increasing acquisition cost limits does not send an appropriate message to the average household served by the Agency, nor to the public.

Mr. Reed then moved to amend Mr. Rainey's motion to adopt the acquisition cost limits originally proposed by staff. Ms. Butterworth seconded Mr. Reed's motion. Ms. Reynolds said that she is concerned with the issue of perception also and added that the Committee's recommended increase is not necessary. Mr. Tindell inquired as to the percentage of loans nearing the limit. Mr. Fellman responded that about 3 percent of THDA loans were at the upper limit (above $150,000-$175,000) in 2004. Mr. Bruce said that he is very sensitive to the image and perception of the Agency by the general public and urged members to carefully consider approving an increase that might receive negative perception. He noted that the Committee's recommendation was based, in part, on consistency with FHA limits, and that THDA income limits keep mortgages from being made to households that are not appropriately served by THDA. Mr. Bruce added that staff's projections are hopeful in regard to allowing the Agency to make more loans and the Committee's recommendation could serve this purpose. Mr. Bruce went on to say that the Committee felt that perception would not be a problem and he stressed that the Committee looked at staff's recommendation closely and spent a substantial amount of time on the issue, before making a recommendation to the Board. Mr. Bruce ended by stating that he would oppose Mr. Reed's amendment and continue to support the original motion made by Mr. Rainey.

Chairman Latimer called for a vote on Mr. Reed's motion to increase the limit for Nashville MSA from $175,000 to $190,000, which amends Mr. Rainey's motion. By a show of hands, Mr. Reed's motion to amend failed with five (5) votes in favor, and six (6) votes against.

Chairman Latimer brought Mr. Rainey's unamended motion back to the table. Mr. Rainey's motion would increase the Nashville MSA acquisition limits from $175,000 to $226,100, and the Balance of the State limits from $160,176 to $172,632, effective February 1, 2005. By a show of hands, the motion carried. There were eight (8) votes in favor and four (4) votes in opposition.

Mr. Rainey shared information on "Operation Homeownership", staff's plan to enhance the delivery of the Agency's single family mortgage program. The Policy & Programs Committee was receptive to the initiatives; however, the Committee deferred action on staff's request to develop a policy to allow the Agency to reimburse borrowers incurring a recapture tax. The Committee asked staff to do further research and evaluation.

Mr. Rainey presented the Committee's recommendation to approve the Multifamily-Tax Exempt Bond Authority Program Description for 2005. He summarized the changes proposed for 2005 which are reflected in a memorandum dated January 7, 2005, in the Board packet. Upon the Committee's recommendation, Mr. Rainey moved to approve the Multifamily-Tax Exempt Bond Authority Program Description for 2005 as described in the referenced memorandum, and to authorize staff to make necessary housekeeping or administrative changes in keeping with the spirit and intent of the program description, as approved. Ms. Reynolds offered a second. The motion carried.

Ms. Myrick shared information on Other Matters. She reported that the Agency has appealed the most recent administrative fee cuts relative to the Section 8 Voucher Program, and advised that staff will communicate with Congressional delegation during the Legislative Conference in March.

Ms. Myrick shared that the Agency received the HUD 2004 HOME "Doorknocker Award". This award is for innovative design of the Row 8.9n project.

Ms. Myrick provided members with a draft copy of the recommendations section of the Comptroller's study on affordable housing. Staff is reviewing the draft. Ms. Cunningham asked that the Board be made aware of any changes the study could have on Operation Homeownership. Mr. Henning noticed that there was nothing mentioned about CDBG in the recommendations and Ms. Myrick responds by saying she will note that. The report included CDBG, but did not make recommendations on it.

Mr. Nance reported on the Black Caucus Homeownership & Wealth Building Task Force. Mr. Nance said that forums at four locations and a legislative event in support of the reinstatement of HOUSE are planned. The Task Force plans to meet February 22 following Representative Katherine Bowers' introduction of legislation to reinstate HOUSE. Ms. Myrick mentioned that Representative Nathan Vaughn is very interested in the reinstatement of HOUSE. Mr. Nance noted that the HOUSE program could result in nearly $20 million dollars for affordable housing. Mr. Bruce commended the Black Caucus for their efforts on this issue and sees this as an indication of a good relationship between this Agency and the Black Caucus.

Mr. Bolding updated the Board on the Predatory Lending Task Force. The Chairman of the NAACP will speak at the Task Force's February 4 meeting.

Ms. Myrick reminded Board members that many bills will be introduced within the month. Mr. Bruce inquired about the status of recording tax legislation. Ms. Miller responded that the Department of Revenue has not returned calls made regarding this issue, and will contact them again.

Ms. Myrick updated members on the status of ideas developed at the 2005 Board Planning Session. She noted that staff is reviewing the findings that led to the original creation of HOUSE, and will compare 1988 findings with the draft Comptroller's study. Ms. Cunningham noted that programmatic requirements of the HOUSE program may need reexamination.

Ms. Myrick shared that at the March 2005 meeting staff hopes to get input from the Board on possible changes to the 0% mortgage program, or the possibility of developing a different program.

Ms. Myrick informed members that another planning session is scheduled for May 2005 and staff will bring several issues to the Board for discussion at that time.

Mr. Reed informed members that current ADDI program funds have been fully committed. Almost $1.6 million dollars were disbursed to provide downpayment, closing cost, or principal reduction for eligible borrowers. The program will continue next year, but with half the funding and program changes may be needed.

With no other business to come before the Board, the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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